

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6412

BILL NUMBER: HB 1169

NOTE PREPARED: Mar 21, 2003

BILL AMENDED: Mar 20, 2003

SUBJECT: TRF COLAs.

FIRST AUTHOR: Rep. Herrell

FIRST SPONSOR: Sen. R. Meeks

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **X** GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides for a cost-of-living adjustment (COLA) for members of the Teachers Retirement Fund (TRF) (or their survivors or beneficiaries) for 2004 and 2005.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) ***COLA Provision:*** The total increase in unfunded accrued liabilities for the cost-of-living increases is estimated to be \$110,969,385 for both the New Plan and the Closed Plan. The following tables describe the increase in annual payouts required by the bill. The fund affected for the Closed Plan is the state General Fund. The New Plan is actuarially funded by a level percent applied to covered payroll. Currently, the percent is 9%. It is unlikely that the 9% will be increased to fund the provisions of this proposal. The Teachers' Retirement Fund is funded on a pay-as-you-go basis. The totals below represent amounts which must be appropriated by the General Assembly.

Closed Plan

	FY 2004	FY 2005	FY 2006
Increase in Annual Payouts	\$3,205,798	\$6,467,453	\$12,934,905

New Plan

	FY 2004	FY 2005	FY 2006
Increase in Annual Payouts	\$5,331	\$17,779	\$24,894

Combined Closed and New Plan (COLA Provision)

	FY 2004	FY 2005	FY 2006
Increase in Annual Payouts	\$3,211,129	\$6,485,232	\$12,959,799

The above data represent the effective dates of the COLAs of January 1, 2003, and January 1, 2004.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*. The data represents the effective dates of the COLAs of January 1, 2003, and January 1, 2004.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected: School Corporations.

Information Sources: Brian Dunn of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS:

Cost of Living Adjustment: An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Pay-As-You-Go Method— sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.